7IB003 International Business Environment

Executive Summary

The objectives of this report were to study the OFDIs and/or exports of UK and China to their main host economies. The research was conducted by collecting relevant data and the exports of the country were researched at the national, industry, and firm-level. The first section of the report studied the OFDI of China and UK at the national level by analyzing the data at the national level. The following section studied the exports of the countries towards their main host economies. The relevant data was analyzed and discussed to study the 10-year trends of both the countries. Aston Martin, Jaguar land rover was studied for the firm level study of UK and Foxconn and Pegatron were studied for firm level study of China. The last section provides recommendations to the countries regarding the improvement in OFDIs and increasing their income from exports.

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Introduction

The countries under discussion in this report are China and the UK. Both these countries are strong economic powers and have great influence in the international business environment. This report focuses on the trends in the OFDIs and exports of these two countries in their main host economies at the national, industry, and firm level. At the firm level, the companies that have been discussed from UK are Aston Martin and Jaguar Land Rover whereas from China the companies are Foxconn and Pegatron. Parallel to the new issues and challenges faced by China's economy, China's role is also shifting in the world economy. In recent decades, however, Chinese foreign direct investment (OFDI) surged dramatically in recent years. With an OFDI flow of $84 billion, China was the world's third largest investor in 2012, up from 6 in 2011 - and continues to maintain its position (90.2b $ in 2013 according to Chinese stats). Several factors influenced this decision, including the Chinese government's desire for globally competitive enterprises and the potential for OFDI to aid the country's development by investing in natural resource exploration and other fields. Despite the fact that the vast majority of OFDI goes to developing nations, Chinese investments in the developed world, including Europe, have increased rapidly in the last decade (Akram, 2018). According to recent studies, China's OFDI in the European Union grew at a pace of 57 percent per year from US$ 0.4 billion in 2013 to US$ 6.3 trillion in 2019, well outpacing China's global OFDI growth rate. Considering the Value for UK Foreign Direct Investment (FDI) foreign-exchange positions increased, partly due to a pound sterling exchange rate depreciation, from £1.084 billion in 2015 to £1.212.8 billion in 2016. The increase in FDI holdings in the UK from £1,032,5 billion (inland) in 2015 to £1,199,5 billion in 2016 is largely due to an increase in the fusion and acquisition business (Cook, 2018). According to the geographical failures in this newsletter, the increase in both domestic and foreign FDI positions in 2016 was mostly tied to Europe. Growth has been attributed to most European countries, with Luxembourg and Holland

experiencing the most rapid growth. Large domestic flows accounted for the majority of Europe's increase in internal FDI positions in 2016.

In recent years, Chinese companies have gradually increased their foreign direct investment (OFDI) in China in conjunction with China's economic and industrial change. This report investigates the current condition of China and UK companies operating abroad along with the underlying incentives to do so. In addition, this research explores the main economic policies which drive UK's and China's recent OFDI trend. The respective governments have set the basis for future OFDI potential through steps to encourage innovation and cross-border economic cooperation. The study analyzes the OFDI trends on national, international, as well as Industrial level along with examples of operating companies. Lastly, policy recommendations have been provided that can be implemented to further enhance the efficiency of OFDI in UK and China.

Trend Analysis and Discussion at the National Level

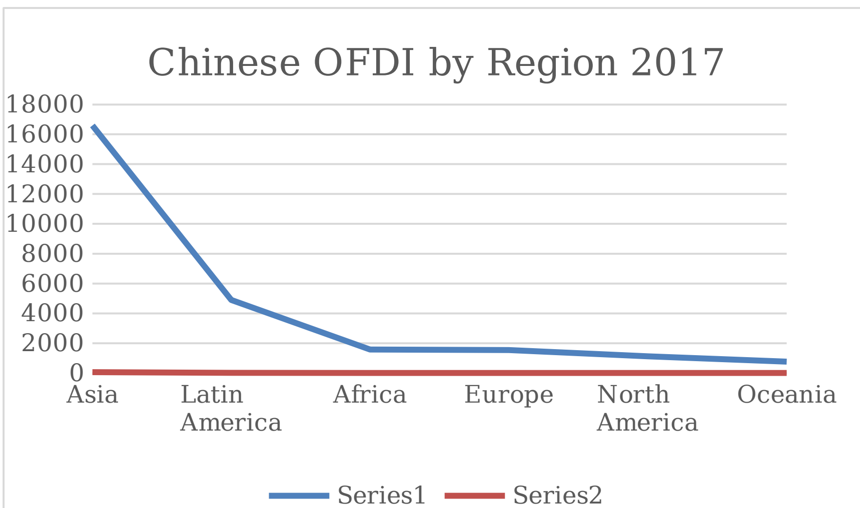
OFDI of China at the National Level

Chinese businesses have shifted their focus to a more outward flow in the last decade, which roughly corresponds to China's WTO (World Trade Organization) participation. Not only are these rising behemoths becoming more competitive at a national level, but they are also pursuing new markets, boosting profitability, and building global supply chains in a rapidly expanding international arena, emulating multinational firms that have invested in China and become the primary drivers of export growth (Chen, 2021). While China's Overseas Direct Investment (ODI) has recently decreased, this is beginning to alter. FDI growth in China has been widely chronicled, with an increase in outgoing FDI flows (OD) being deprived. FDI growth has also been much reduced. China's outbound flows have grown in recent years from around 5 percent to 20 percent of FDI inflows. However, in terms of flow and stock, Chinese direct investments abroad remain limited. When it comes to their sort of activities or establishing a headquarters in the United Kingdom, Chinese companies primarily operate

in the manufacturing sector, followed by financial and commercial services (Crowley, 2019). This reinforces the perception that China's ODI is focused on knowledge and innovation, as well as expanding market presence in mature economies like the United Kingdom. China has lately eased its foreign investment laws, allowing a fresh wave of private enterprises to join the country's growing pool of multinationals. China presently ranks third in terms of ODI flows (after the British Virgin Islands, Russia, Taiwan, and Singapore) and fourth in terms of stock (after Russia and Brazil), excluding Hong Kong, in terms of ODI flows (after the British Virgin Islands, Russia, Taiwan, and Singapore) (due to the complicated web of FDI movements between the SAR and China). In comparison to other developing countries, Chinese enterprises' international investments are still underdeveloped. Once the global economy recovers from the recession and foreign business resumes expanding, an even higher increase in Chinese ODI is likely (Gagliardi, 2021). When compared to global ODI flows, Chinese ODI is likewise quite low. According to the OECD, Chinese investments account for less than 1% of worldwide FDI. Chinese ODI is another noteworthy fact: the dispersion of China's geography seems contrary to what could be predicted in view of its commercial relations internationally. Foreign direct investments in China are strongly directed towards developing countries, which is far behind the UK and North America. Asia, in particular Hong Kong, is one of China's most favorite ODI destinations, with more than half the Chinese FDI. Although, the impact of huge Chinese assets "round-tripped," either back into China or other offshore markets, are known to distort this movement. A second problem in analyzing the main destinations of Chinese ODI is the overrepresentation of tax havens in China's total external flows. In 2017, Chinese ODI flows to the Cayman and British Virgin Islands were 9.8% and 7.1 percent, respectively. These investments are clearly not intended for these markets, and they will eventually spread to other countries around the globe, notably the 'underrepresented' developed countries.

Table 1: Chinese ODI flows by region (2017)

Region	2017	
	Amount (US $m)	% of total
Total	26506.09	100
Asia	16593.15	62.6
Latin America	4902.41	18.5
Africa	1574.31	5.9
Europe	1540.43	5.8
North America	1125.71	4.3
Oceania	770.08	2.9



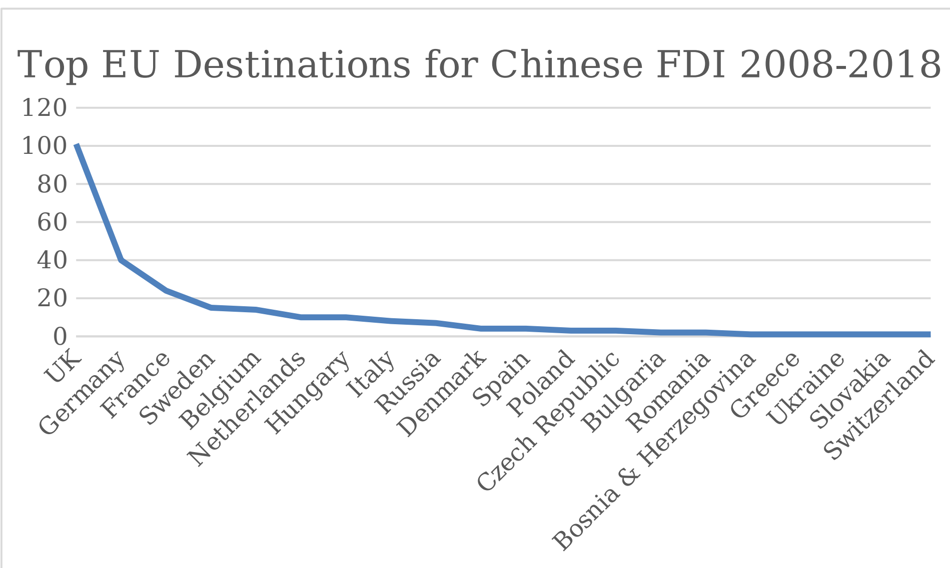
Although Europe was ahead of North America in terms of its outflow percentage of China's total investment in 2017, it is only gradually gaining. Europe received around 5% of all Chinese ODI flows in recent years, while North America received 2% of all Chinese investments overseas. When recent Chinese investment figures are broken down by specific countries, it becomes clear that Chinese enterprises have concentrated their efforts in three European countries: The United Kingdom, Russia and, to a lesser extent, Germany. Chinese FDI in the EU 27, according to Eurostat, totaled EUR 5.9 billion and EUR 6.1 billion respectively. respectively. But Chinese FDI stocks in 2017 reached €18.5 billion and by the end of 2018 €26.8

billion. (still only 0.068% of the world's total stockpiles in the EU 27). The steady increase has been fueled by large-scale purchases in utilities, consumables, industrial machines and infrastructure. On the other hand, Chinese data, although with different figures, show a similar trend. The investment trend was becoming more dynamic, and country rankings were shifting based on European data. China's stock of OFDI in Europe was $3352.72 billion and $6760.19 billion when non-EU European countries like Azerbaijan and Albania were included. Chinese outbound FDI stock in the major EU economies was US$ 1689.3 billion in the United Kingdom, US$ 1523 billion in France, US$ 336.1 billion in Sweden, and US$ 1421.3 billion in Germany. In 2018, the UK overtook Russia and Germany in terms of Chinese OFDI flows and is swiftly recovering in terms of inventory. The UK's jump was, according to the most up-to-date information from MOFCOM, the large increase in Chinese ODI flows, from about 35 million dollars in 2018 to more than 500 million dollars in 2019 (Douch, 2021). Data from the European investment monitor Ernst and Young show that, at around 41 percent of Chinese investment, the United Kingdom is leading into Europe. In 2008–2018 Germany and France were the only other major beneficiaries of Chinese investment, with Germany moving ahead in recent flows considerably (15% and 10% respectively). Between 2008 and 2018, Ernst & Young registered a total of 252 Chinese companies' investments in Europe, and since 2015 Chinese investment projects, including the UK, have grown in several European countries (Hao, 2020). While the investment from China to the United Kingdom is increasing quickly, such investment remains exceedingly tiny both in the overall investment in the UK and in relation to relatively large projects.

Table 2: Top EU destinations for Chinese FDI (2008–2018)

European	**Number of**

target country	Chinese investments
UK	101
Germany	40
France	24
Sweden	15
Belgium	14
Netherlands	10
Hungary	10
Italy	8
Russia	7
Denmark	4
Spain	4
Poland	3
Czech Republic	3
Bulgaria	2
Romania	2
Bosnia & Herzegovina	1
Greece	1
Ukraine	1
Slovakia	1
Switzerland	1

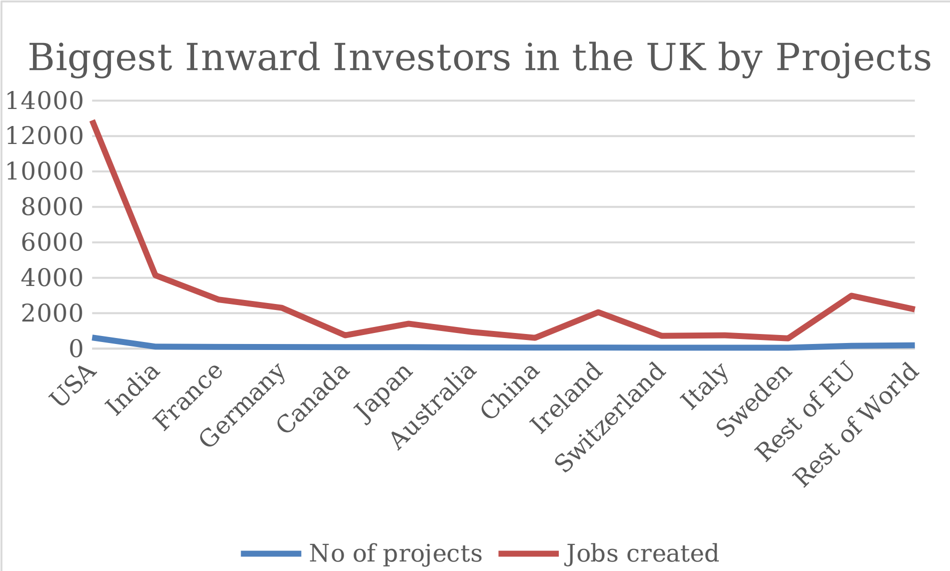


In the run-up to WTO membership, Chinese businesses were beginning to join British and other outside markets — Chinese investment before 2010 was highly limited. The 'go global' policy creates the right policy environment for global expansion. Prior to the year 2000, only a few big corporations, such as the Bank of China, had representative offices,

especially in London; nevertheless, foreign investment exploded once China committed to greater global integration. Following the year 2010, the British experienced a rise in Chinese investment, with both SOEs and significant private enterprises participating.

Table 3: Biggest inward investors in the UK by projects

Investing country	**No of projects**	**Jobs created**
USA	621	12,888
India	108	4,139
France	101	2,765
Germany	86	2,304
Canada	83	754
Japan	81	1,405
Australia	65	943
China	**59**	**607**
Ireland	57	2,056
Switzerland	50	723
Italy	48	752
Sweden	47	578
Rest of EU	155	2,987
Rest of World	183	2,210
TOTAL	**1,744**	**35,111**



In 1978, China started its programmed of economic reform, from a planned economy to a market economy politically central and socialist. Economic development prevailed over political reform during this period of transition. Economic trials and errors have had substantial effects on the Chinese OFDI and the Chinese business climate. Over the last 40 years, Chinese OFDI has evolved at a variable rate with various strategic reasons, through the government's reform guidelines and related policies, at different stages. In the meantime, Chinese business institutions began to evolve in ways that were compatible with developments in the economy and society. This revolution influenced not just the change of Chinese enterprises and the expansion of China's foreign market, but also the popular perceptions of Chinese entrepreneurs. Chinese OFDI has its distinctive features like other areas of China's economic reform. One of the most striking facts is that Chinese enterprises are progressively investing in industrialized countries to strengthen their business in spite of their lack of clear ownership benefits. Chinese foreign direct investments totaled 10.2 billion dollars in the European Union in 2017, up 2.7% over the previous year, for example (HU, 2018). In addition, Chinese corporations will be more inclined to employ mergers and acquisitions (M&As) as a strategic entry tactic rather than to set up wholly owned subsidiaries in other nations (Jiang, 2020).

Chinese cross-border M&As have increased dramatically in the developing world, accounting for 21.1 percent of total Chinese OFDI in 2017 and totaling USD 119.6 billion.

The Chinese government is generally in charge of overseas investment operations, particularly in the 'Strategic and Heavyweight' industries. China is a transformational economy. During the transition, the Chinese government took attempts to limit market intrusion. However, as a freshly emerging industry, China faces intense global competition, providing the government with a foundation for safeguarding or aiding Chinese companies' OFDI activities.

Although state-owned enterprises (SOE) have traditionally dominated Chinese OFDI, the number of private companies involved in OFDI in China is expanding rapidly. In 2017, just 5.6% of all firms were state-owned companies (SOEs). OFDI projects include government credit funding and lower bank loans, SOEs can obtain further financial aid as major players. As a result of the global expansion, Chinese enterprises are gaining access to technology and gaining and developing new knowledge, capacity and resources. They develop new subsidiaries as foundation firms with overseas partners and build ties, but they also face increasing political and operational concerns (Kamal, 2020). Chinese enterprises can discover strategic asset- and market-seeking tactics in the developed world without a sufficient competitive edge over those in developing countries, as well as resource-seeking methods in less-developed countries. There are Chinese enterprises to be found. The underlying philosophy of FDI, which is largely based on the experience of investors in industrialized nations, is that the companies participating in the OFDI should have monopoly benefits. For FDI, FDI and FDI, who are searching for efficiency and resources Dunning has utilized an electric paradigm to showcase how essential FDI belongs. The FDI's paradigm was used by Dunning. The OFDI's objective is to acquire technological superiority according to sources. Mainly, the traditional theory emphasize the importance of corporations benefiting from

their distinctive competitiveness in cognitive or material assets in order to benefit from investment in developing countries (NIE, 2019). In contrast to the traditional FDI theory, the strategic asset development theory, emphasizes emerging market countries may acquire knowledge and technology in tandem with the reverse impact of their OFDI on advanced countries. It is believed that China's OFDI has an impact on Chinese business since knowledge, technology, and economic development all contribute to innovation, and innovation includes business.

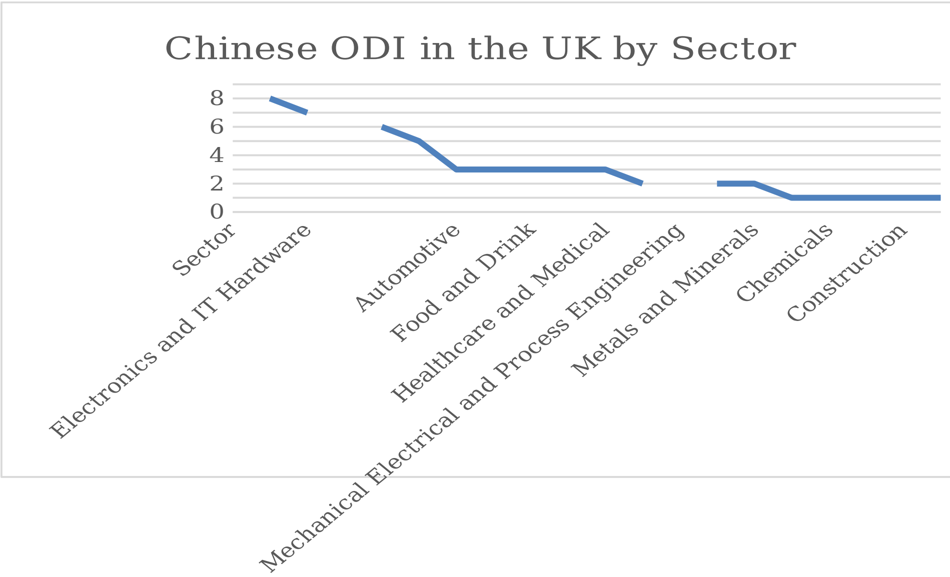
OFDI of UK at National Level

The UK is a world leader in innovation, science and services. R&D investments into the United Kingdom surged by 83 percent in 2018, with all notable performances in IT, financial services and science. As a result of its current focus on natural resource exploitation, China has remained particularly focused on the workshop of global expansion. On the other hand, a significant extractive sector is lacking in the majority of Europe. This is one of the reasons why China overlooked Europe as an FDI destination in the early phases of its economic development. But as China switches from safeguarding its supply chain to expansion of services, its share of ODI in Europe and America is growing in the developing world. The United Kingdom is in a great position to take advantage of this new surge in Chinese investment to expand market share and seek out technology and know-how. The UK economy's services industries are a relative strength, and Chinese firms will undoubtedly help the UK in the future as a beneficiary of Chinese ODI in finance, IT, and other business services. However, Chinese investment in the UK's services industry is currently insignificant. In 2017 it must be noted that, making it the third largest source of ODI in the country, China began to invest substantially in the banking business. Financial and commercial departments accounted for roughly 17 percent of all Chinese ODI in the UK between 2008 and 2018, and the ratio increased steadily. As the economic climate has changed and confidence in crisis-affected financial institutions, particularly in the US and

Europe, Chinese investment in this industry has been decreasing since 2018. Approximately 50% of all Chinese manufacturing investments include UK sales and marketing rather than production. An extra 17% of manufacturing investment projects are based in the UK. And in fact, only 14 percent of manufacturing investment projects in the UK are engaged in manufacturing - this trend is visible in all fields (Ren, 2020).

Table 4: Chinese ODI in the UK by sector

Sector	**No of projects**
Textiles, Interior Textiles and Carpets	8
Electronics and IT Hardware	7
Software and Computer Services Business to Business (B2B)	6
Clothing, Footwear and Fashion	5
Automotive	3
Business (and Consumer) Services	3
Food and Drink	3
Giftware, Jewellery and Tableware	3
Healthcare and Medical	3
Aerospace (Civil)	2
Mechanical Electrical and Process Engineering	2
Metals and Minerals	2
Biotechnology and Pharmaceuticals	1
Chemicals	1
Communications	1
Construction	1
Financial Services	1
Total	**52**



In addition, 50% of the Chinese headquarters in the UK serve as a representation in Europe, while the other half is located in the United Kingdom alone. This shows the will of Chinese companies to expand on the UK market and make use of the UK as a practical European base for operations. In London and the south-east, the bulk of Chinese headquarters are in the UK. Only four Chinese headquarters were drawn in the north of England, Wales, and Scotland. The United Nations is one of the few States that encourage Chinese enterprises to take over the leadership role of the United Kingdom as a center for innovation. The UK is becoming an increasingly important location for Chinese firms in Europe due to its open and transparent investment environment, global financial center, technology and technology base, and English-language environment. According to a study by Voss and Cross, later Chinese in the UK focus mostly on import and sell businesses (2018). The goal of such investments is to build sales efforts in order to boost the Chinese company's local representation and profile, as well as to more aggressively tap into the UK (and EU) market. Many parent enterprises are huge, according to recent studies. Although, their initiatives in the United Kingdom are small and most Chinese companies employ less than 24 people in the UK. According to the UKTI information, there is extremely little in Chinese investment in the

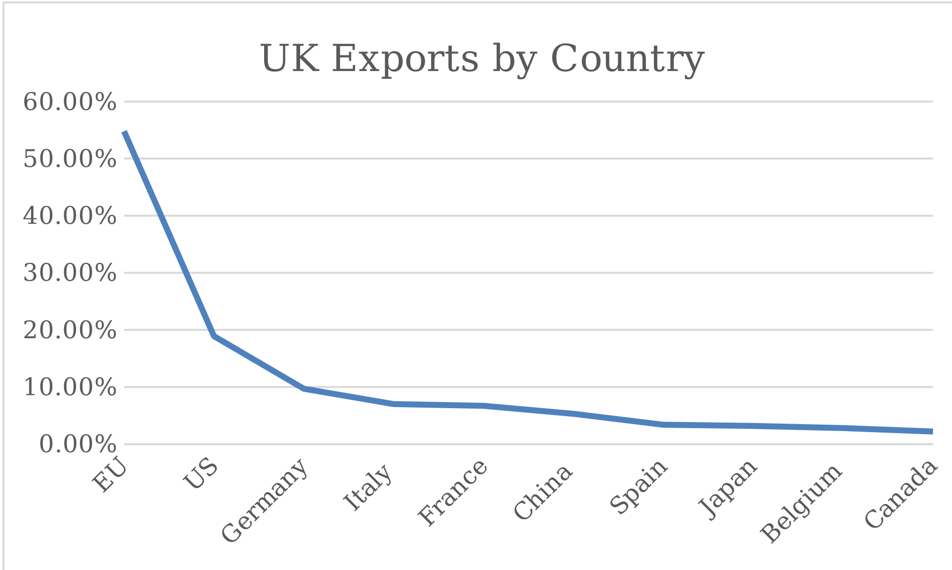
UK, with less than 20 employees in the bulk of Chinese investment. In terms of the size of employees, Chinese investment ventures in the UK are smaller than most other investors.

Trend Analysis and Discussion of Industry and Firm-level

Exports of UK to Its Main Host Economy at the Industry and Firm-level

This section discusses the trends of the exports of UK and China to their host economies. As far as the exports of UK are concerned, one of the major exports of the country is from the cars industry and this will be the focus of the analysis and discussion (Wang M. J., 2017). The main host economy or importer of UK cars is the European Union (EU). The European Union is the biggest importer of British cars to the extent that every second car exported by the UK car manufacturers was imported by any other member country of the European Union.

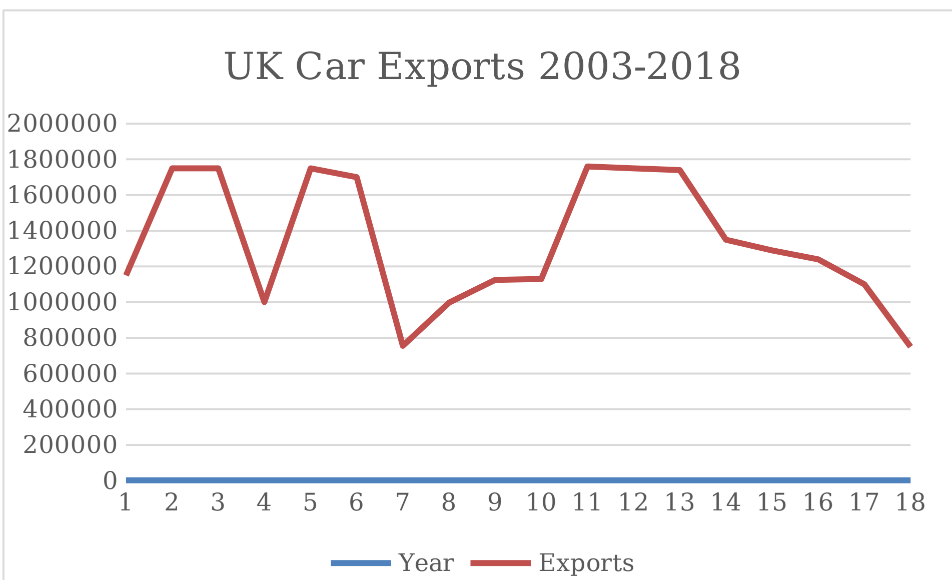
Country	Percentage
EU	54.80%
US	18.90%
Germany	9.70%
Italy	7%
France	6.70%
China	5.30%
Spain	3.40%
Japan	3.20%
Belgium	2.80%
Canada	2.20%



The above graph shows the distribution of UK car exports to its various trade partners. The above graph shows that the biggest trade partner of the UK in the automotive industry. The data shows that 54.8% of the cars exported by the UK automobile manufacturers were to the European Union (Lei, 2017). The European Union was followed by the USA and Germany with 18.9% and 9.7% of the cars exported to these countries. These strong trade ties with the European Union could be attributed to the UK's membership in the EU which has recently come to change as the UK is in the transitional stage of leaving the EU. The member states of the European Union received certain privileges and leniency while trading among them. These privileges were extended to the United Kingdom as well as it was a part of the EU. The country did not need to gain any special licenses or permissions for example, for trading with other member states. However, these factors will change as the country leaves the European Union and it will have to comply with certain regulations with the trade in EU.

Year	Exports
2003	1150000
2004	1750000
2005	1750000
2006	1000500

2007	1750000
2008	1700000
2009	755000
2010	998000
2011	1125000
2012	1130000
2013	1760000
2014	1750000
2015	1740000
2016	1350000
2017	1290000
2018	1240000
2019	1100000
2020	750000



The above graph shows the historical figures of UK car exports to the EU over the last 18 years. However, this analysis focuses on the data for the last 10 years i.e., from the year 2010. The graph shows that the UK automotive industry had been declining in exports in the previous decade. This decline was particularly because of the decline in production. The

situation improved in the time period in focus i.e., from 2010. The production and exports of UK cars to the European Union and other trade partners improved over time. The car exports of UK reached its peak in the year 2016 when approximately 1.35 million cars were sold. The volume of exports slightly declined in the following 2 years however, this was not a matter of concern. The situation deteriorated in the year 2020 when the global pandemic Covid-19 broke out and spread all over the world. The impact of the covid-19 pandemic paralyzed the economy as all the business activities were suspended and this resulted in a substantial decline in export of the automotive industry. UK is not solely an exported of cars to the European Union, it also exports engines and a few other accessories as well. Exports of automotive industry of the UK dropped by 30% as a result of the Covid-19 pandemic (Wang, 2019). This was primarily because the production and sale of non-essential goods had been halted both domestically and internationally. The trade activities between nations had also either completely halted or had dropped down to low level. This resulted in a severe decline in demand for UK cars in the international market.

There were also a few notable developments at the company level in the UK automotive industry. In 2013, Mercedes-AMG engines have been supplied by Aston Martin in conjunction with Daimler AG, which has 5% participation in the Company (Mingliang, 2017). Aston Martin should also be supplied by Mercedes-AMG with electrical systems. The aim was to aid Aston Martin in introducing a new generation of automobiles with advanced technologies and engines. The DB11, which has been introduced at the 2016 Geneva Automobile Show, was the first vehicle with Mercedes-Benz technology and contains Mercedes-Benz Electronics for entertainment, navigation and other purposes. The Mercedes-Benz twin-turbocharged V8 engine and infotainment technologies were used in the 2018 V8 Vantage, which was introduced in late 2017. Mercedes-Benz will gradually expand its ownership from 5% to 20%. The company was also listed on the London Stock

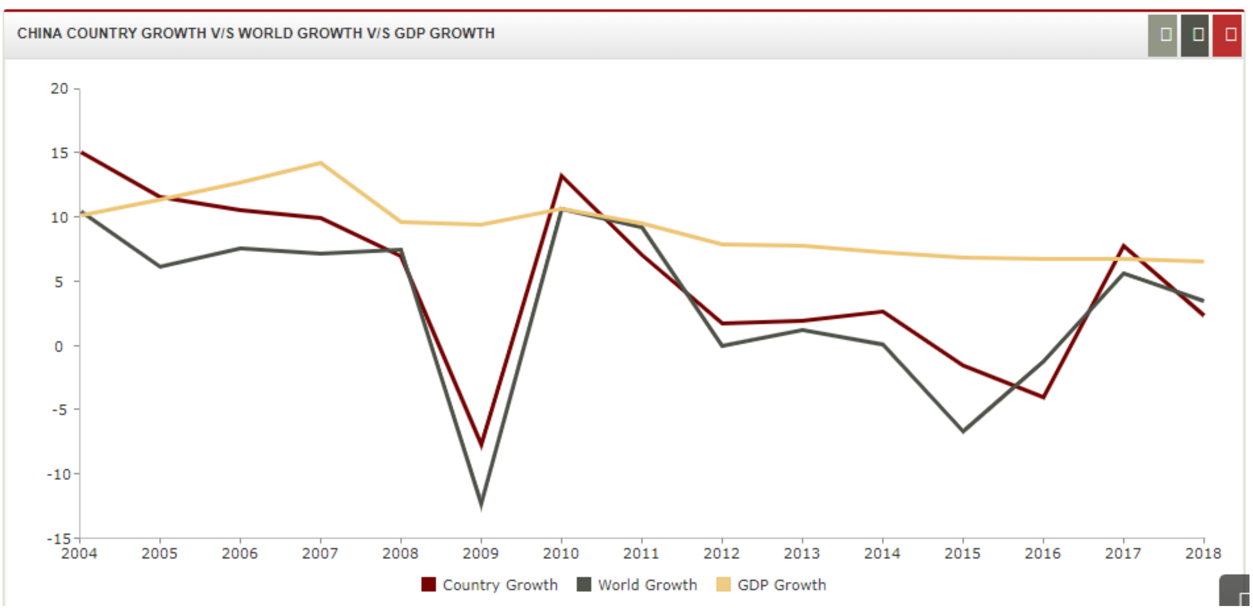
Exchange in the year 2018. In the following year in 2019, the company reported a few problems as well. The recent political changes in the UK regarding its leaving of the European Union (termed as Brexit) have also significantly impacted the UK car manufacturers. The automobile company Jaguar is also facing a few challenges in the wake of Brexit. The luxury car brand reported that the transition will have disrupting effects on its operations as UK prepares to leave the European Union. The company had set-up a steering committee with the objective of remaining aware of the government decisions and developments in the negotiation process regarding an additional 10% tariff on car sales to the EU by UK. The company was also reported stating that whether the two entities reached a no-deal scenario or not, the increased customs levies would still prove to be a compliance and administrative issue. Since the company is also facing challenges in its supply chain, therefore, it is working with its suppliers to develop plan in order to ensure that the additional costs, challenges, and risks are mitigated before they cause any much damage. The company was seen developing competitive strategies to ensure that the company stays ahead of the competition and maintains its market share in the European market where it exports its cars. Jaguar Land Rover is working on developing strong and sustainable operations, administrative, financial, and supply chain strategies to mitigate the impact of Brexit. The company had benefitted from the privileges that it received from UK being a member of the European Union and enjoyed a significant share in the EU import market. However, the recent changes in the political and economic factors will likely cause disruptions in its export volume, even if for a short time period.

There were several factors of international business environment which shaped and influenced the trends of the exports of UK to the European Union. The first among these were the political and legal factors. The political factors as mentioned above were directly influential for the changes in the export's scenario. The political factors which affected the UK

car exports to the EU were its separation from the European Union and the changes in regulations that it caused. Brexit has opened the UK up to new legal challenges and hurdles to sell its goods to the other EU member countries. UK will now have to adhere to the same legal compliances that other non-EU nations have to follow while trading with the EU. However, the governments of both the entities have been negotiating various terms and agreements for bilateral trade which will determine the future of the exports to EU. The economic factors have also played a vital role in this regard. The economic condition of both the UK and the European Union is quite stable and therefore both these entities have had a healthy and mutually profitable economic relationship. But the recent impact of covid-19 has halted the economy which has caused a decline in the exports of the UK to EU including the export of the cars. The social factors are favorable for the UK exports to EU as the car brands such as Aston Martin and Jaguar Land Rover remain a favorite luxury brand for the people. This means that there has been a good demand for the UK car brands and this is expected to continue. The technological factors have also played an important role in this regard as well (Wang Y. &., 2017). The technological advancements have allowed the UK automotive industry to improve the efficiency and effectiveness of its production and operations. This has resulted in an increased export volume to satisfy a greater demand for the cars in the EU market. One of the FDI theories applicable here is the Product-cycle theory of the Modern Theory. The product-cycle theory states that latest products from a firm or economy appear first in the most advanced economy in response to the high demand. This theory can be seen being applied in this context as well as the latest products from the automobile industry from UK appears in EU as it is the most advanced economy among its host economies.

Exports of China to Its Main Host Economy at the Firm and Industry-level

As far as the exports and host economies of China are concerned, the biggest importer of Chinese goods is the United States. According to the most recent country-specific data, importers in the United States (17.5 percent of worldwide total), Hong Kong (10.5 percent), Japan (5.5 percent), Vietnam (4.4 percent), South Korea (4.3 percent), Germany (3.4 percent), Netherlands (3 percent), United Kingdom (2.8 percent), India (2.6 percent), and Taiwan (2.3 percent) purchased 60.7 percent of products shipped from China (also 2.2 percent). This shows that the biggest host economy of Chinese exports is the USA. Most of the goods sold or exported to the US by China include mobile phones, mobile phone accessories, and other phone systems. The broad and appropriate categorization of China's biggest exports, especially to the US is the electronic goods. In the recent 10-year history of the trade between the world's top two strongest and largest economies, there have been various trends that have been influenced by a variety of political, legal, social, environmental, and technological factors.



The above graph compares the growth of China as a country, the growth of the world (economically), and the GDP growth of China. The graph clearly shows that the GDP growth of China has outperformed the growth of the country as a whole (including various other aspects such as politics, society, etc.) and the economic growth of the country. China has managed to

achieve the second top most position in the global economy by improving its production and increasing the efficiency of the production processes (Zhao-lin, 2011). The technological advancements and expertise of the country have also played a vital role in this regard. In its journey as an economic superpower, the country has maintained strong relationship and trade ties with the global economic leader USA. Although there have been times where there was tension between the two countries but this situation keeps pivoting. The position of both these economic giants is such that they cannot ignore one another. Below is a detailed analysis of the 10-year history and trends of the trade and specifically the exports of electronic goods to the US by China.

China surpassed Japan as the world's second-largest economy in the year 2010, with a second-quarter GDP of $1.33 trillion, slightly higher than Japan's $1.28 trillion. According to Goldman Sachs head economist Jim O'Neill, China was on course to replace the United States as the world's largest economy by 2027. As evidenced by the economic growth and stability of the country in 2010. China's overall GDP for 2010 was $5.88 trillion, compared to Japan's $5.47 trillion at the start of 2011. This also resulted in a significant increase in the exports of the country and US being the world’s largest economy also increased its imports from China of mobiles and related accessories along with other electronic goods. The US-China trade deficit rose from 273.1 billion dollars in 2010 to 295.5 billion dollars in 2011 resulting in trade tensions between the 2 countries. This increase might be attributable to three-quarters of the US trade deficit growth in 2011. The US, the European Union and Japan submitted a "consultation request," citing China's restriction for rare earth metal exports, to the World Trade Organization in March. Chinese quotas violate international trade laws by forcing foreign companies which use metal to move to China, according to the United States and its allies. In trade battles, China has condemned the step as "rapid and irresponsible," pledging to defend its interests. These trade disputes were among the

political and economic factors which caused the exports of goods to be halted to the US by China. As like other industries, the electronic machinery industry which was the biggest exporter to US suffered and had to divert its products elsewhere. In the following years to come, there had been serious political developments regarding various sensitive issues which affected the relations between the 2 countries. Although, the situation had improved after the change in leadership of the country. The political tensions continued for some time but relaxed after a few years. Once the political factors were favorable for trade, the exports resumed at their usual level and trade improved. This translated into increased exports for the electronics goods industry as well as it was able to resume trade with its biggest importer i.e., US. However, the economic tensions occurred once again when the US Trump Administration imposed tariffs on Chinese exports in the year 2018. In reaction to what the White House claims is Chinese theft of U.S. technology and intellectual property, the Trump administration imposes sweeping penalties on Chinese goods worth at least $50 billion. The measures, which follow taxes on steel and aluminum imports, target commodities such as apparel, shoes, and electronics, as well as limiting some Chinese investment in the US. Early in April, China levies retaliatory tariffs on a variety of US products, increasing fears of a trade war between the world's two largest economies. After high-profile encounters with President Xi in April and November 2017, President Trump's approach to China has hardened. The US China war then escalated during the year 2018 and further increased when the companies became involved. Huawei was banned in various American agencies and following this, China took aggressive measures to reduce the use of Apple’s iPhone and Google’s various services. This was supported by the people as well. It is interesting to note here that despite the tensions between the two countries and struggle for economic supremacy has gotten aggressive recently, US remains to be the biggest imported of China’s electronic goods. The recent situation has become tense but the economic situation suggests

that as long as the 2 countries remain the top 2 economic powers of the world, they will be a large part of trade with one another.

One example of China’s investment in the mobile industry of US is it’s assembling of iPhone. Eventually, only two enterprises assemble the components made by different companies worldwide in iPods, iPhones and iPad. The companies in question are Foxconn and Pegatron, both based in Taiwan. Hon Hai Precision Industry Co. Ltd. is the current corporate name, nevertheless, it is called Foxconn because of its trade name. Foxconn is Apple's oldest operating partner in device building. Foxconn's factories are located in countries across the world, including Thailand, Malaysia, the Czech Republic, South Korea, Singapore and the Philippines. The reason that Apple has outsourced its manufacturing to Foxconn because of only Foxconn has the capacity to meet the high demands of the company i.e., Apple. It can be concluded that Foxconn is among the primary investor to the electronic goods market of US as it is investing its human capital and land for the manufacturing of US-based phones.

There are several political, economic, social, and technological factors that shaped these trends between China and its biggest electronic goods importer USA. The political factors were related to the tensions created between the 2 countries over the common disputes. The political tensions escalated and eventually affected the trade between the two countries which caused the exports from China to decline as well. as far as the economic factors are concerned, the trade war between China and US was reportedly a ripple effect of the political tensions. Both the countries are striving to assert their dominance and thus engaging in economic conflict through sanctions and tariffs. On the record this conflict was because one country had violated the rights of the other in some way. However, it could be deduced that the backdrop of this was war was because both the countries want to become the global economic leader. The social factors also contributed significantly to this situation. The people were following the narrative of their countries and thus supported them in the trade war.

However, generally the people of China prefer to use their own brands and their own products. The people in the US are aware of the technological expertise of the Chinese and are inclined to use gadgets and other electronic goods from reputable Chinese manufacturers that export good quality of goods to the US. The social factors played a very important role in the Huawei vs. iPhone war as people from both the countries stood by their governments and rejected the products of the other country. Lastly, the technological factors also played an important role. The technological development in both the countries is quite rapid. It can be acutely said that both the countries are competing on the technological front as well. The primary area of concern in this regard is the development of 5G technology. It has been widely reported that 5G was one of the primary reasons that the Huawei vs iPhone and China-US trade war escalated again. Both the countries wanted to be the first one to develop this technology and obtain the profits for themselves. The eclectic paradigm or OLI framework is the theoretical framework of FDIs which is being applied here. This framework states that firms engage in internationalization and foreign investment because of three reasons; ownership, and location advantages. The location advantages that the US company Apple receives by outsourcing the assembly of its products to China because of the created resource of high level of production due to large labor benefits the company as it is able to meet the high demands of the customers. Therefore, the situation being shaped here is influenced by the OLI framework.

Policy Recommendations

In recent years China's external foreign direct investment has been expanding and, it seems, China has taken over the position of one of the largest investors in the world, reflecting its global economic strength. In 2000 the Chinese government launched the Go Global Program which aims to transform Chinese enterprises from outsiders to globally competitive firms. In keeping with this objective, China's OFDI has gradually increased, notably after 2008, when the financial crisis has increased the numbers of

financially ailing companies and created additional investment opportunities for China abroad. The formulation of foreign-exchange reserves is a second significant good component of China's OFDI: the Chinese government strives to diversify its investment portfolio and seeks profitability alongside safe, low-yield assets. While Chinese OFDI is more resource-focused in emerging and developing markets, Chinese firms in developed markets are more likely to focus on obtaining global brands or distribution networks, as well as learning about local management skills and technologies (so-called strategic asset-seekers). In entrance modalities investments have changed away from investments in Greenfields to fusions and acquisitions, now representing around two thirds of the value of all Chinese OFDIs (Yang, 2018). This change is a consequence of the financial crisis, but it also seems that China's FDI has a new trend towards the developed world, but investment in Greenfields is still significant in the developing world. While the host countries would want the second since it generates jobs, the beneficial results of Chinese M&A cannot be denied either. Due to the fact that during or after the crisis various such fusion and acquisitions were taken to prevent bankruptcy of dysfunctional and unprofitable enterprises, they often rescued existing employees' jobs.

Moreover, Suitable and effective UK government policies with regard to OFDI can be formulated on the basis only of reliable information on the nature and extent and how this investment varies over time for the formulation of OFDI policies. However, the data collected and published by the Government are very limited. As regards the screening of investment, it is recommended that the UK government clarify how the balance should be struck between, on the one hand, the promotion and facilitation of inbound investment and, on the other, the protection of national security. In particular, the State needs to clarify the role of the Department of International Trade in the planned new investment screening regime, and the Minister of the Cabinet will decide whether or not to restrict an

investment. This information should be provided by the UK government's reply to the White Paper on national safety and investment.

Conclusion

This comprehensive report studies the OFDI or exports of two of the world’s most stable and strongest economies, China and UK. The main focus of the report is the international business environment and it attempts to study it in the context of these two economies and the host economies that they invest in or export to. The report first studies the trends and analyzes them for discussion at the national level of both the countries. This section includes the relevant data on OFDI and exports of these two countries to their main host economies and studies them in detail. The second section has discussed and analyzed the trends of OFDI and exports of the two countries at the industry and firm level. This section includes the data from the industry and firm level trends of one export from China and UK to their host economies (Yu, 2021). The section also provides insights regarding the investments and business activities that the specific companies from both the countries had in their host economies. The trends analyzed in both these sections are from the data of the past 10 years. The following section of the report provides recommendations to the government of both countries. The recommendations are regarding the policies that the countries should adapt to enhance and regulate their OFDIs or exports based on the analyses in the previous sections.

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